Standard Summary Project Fiche

1. Basic Information
   1.1 Désirée Number: RO-2002/000-586.02.01
   1.2 Title: Implementation of CEC Savings Bank Restructuring
   1.3 Sector: Financial services and internal market
   1.4 Location: ROMANIA

2. Objectives
   2.1 Overall Objective(s):
   Strengthening the development of the Romanian financial sector, the restructuring and consolidation of the Romanian banking system.
   There is ample scope in Romania to substantially improve the distribution of existing and new financial products and services.

   2.2 Project purpose:
   To pursue the implementation of the restructuring plan of the bank started within Phare Project RO 9805.02.02.
   This restructuring Plan was proposed by the previous consultancy within a Work Plan containing components such as:
   - business focus;
   - accounting;
   - treasury;
   - HRM/organisation;
   - IT

   2.3 Accession Partnership and NPAA priority
   Accession Partnership stipulates regarding priorities and intermediate objectives – Economic criteria “established macroeconomic stability, in particular through the implementation of structural reforms” and “create a SME –friendly economic and legal environment, and in particular continue simplification of registration and licensing procedures.”
   According to NPAA (Cap. 3 Economic criteria, point 3.3.2. Financial Market, Restructuring of the Banking System and the Impact of the Pensions System Reform on the Capital Market), with a view to strengthening financial discipline in the economy based on a noticeable improvement of the supervisory activity of the central bank, the privatisation and restructuring of the banking sector, concerning our bank, this document provide: Restructuring the Savings Bank (Casa de Economii si Consemnatiuni) with a view to improving its performance indicators and participating in crediting house building and small and medium enterprises.

   2.4 Contribution to National Development Plan: N/A
   2.5 Cross Border Impact: N/A
3. Description

3.1 Background and justification:

According to point 31 of the Memorandum agreed between the Romanian Government and IMF, the Ministry of Public Finance (CEC Shareholder) is responsible for the fulfilment of the Programme agreed with EU concerning the implementation of CEC restructuring Plan.

The Action Program of PSAL II – Financial Sector Reforms stipulates also that the restructuring of CEC has to continue based on the approved Restructuring Plan.

The role of the new project in relation to Romania’s commitment under PSAL and IMF agreements is to provide technical assistance in pursuing the restructuring process of the bank, process that will end as per CEC’s Strategy in 2005.

In the context of the on-going process of harmonization between the prudential regulations issued by the National Bank and the EU Directives, the position of the Savings bank has to be strengthened. The existence of a retail savings bank for the population, small entrepreneurs and local and central administration represents a necessity within the Romanian Banking System.

Due to its large distribution network throughout Romania and to its wide range of savings, loans money transfers and trustee services, as well as to the provision of a safe, accurate and high-quality banking transaction, both profitable and of low risk to the bank, CEC proved able to maintain its position on the difficult Romanian market and enjoys the support and confidence of a large part of the population.

Within PHARE Program RO 9805.02.02 ING Barings provided assistance for CEC’s restructuring thorough the contract ended at 30.11.2001. The assistance was organised along a modular approach.

**Module I:** Operational and management audit required by the World Bank and full-fledged due diligence required for the development of recommendations regarding the feasibility of CEC’s restructuring.

**Outputs:**

a) Due Diligence Report - a very detailed review of the present legal, operational and organisational aspects of the bank;

b) Feasibility Study – including the asset valuation of the bank, the analysis of various restructuring and privatisation scenarios and their respective impact on the bank value and future.

IMF, World Bank, EC Delegation were provided with a copy of these reports.

Final recommendations at the end of Module I served as the basis for pursuing and/or re-orienting Module II restructuring action till the end of the project.
Module II: Outputs concerning restructuring activities.

A Work Plan containing 45 tasks was set up. These tasks were agreed by all institutions involved as the National Bank of Romania and the Ministry of Public Finance.

It comprises components such as:

- business focus;
- accounting, risk management, internal audit;
- treasury;
- HRM/organisation;
- IT;
- Fixed assets and Legal.

A summary of the completion stage, implementation stage as well as reason for lack of implementation of the tasks at the end of the programme, are presented in Annex 1: “Implementation of restructuring”

Since the completion of the Phare RO9805.02.02, CEC continued to implement the measures for the re-structuring of the bank, as stated in the above-mentioned Work Plan with its own financial and human resources.

Having in mind that the restructuring is a long-term process (2002-2005) there is a need for further external support in order to assist CEC to ensure properly the sustainability of previous support and to implement the Work Plan in order to attend the restructuring objectives.

3.2. Linked activities:

Phare Project RO9805.02.02 – Operational Audit and Restructuring implementation of CEC.

The main goals of the project were achieved (Operational Audit, the transfer of know-how and the implementation of the bank’s restructuring was started) but the bank’s restructuring can not be finalised in a short period of time (12 months). The first steps were made in implementing the restructuring, the transfer of the know-how was done but there is a need for external assistance in order to support the restructuring implementation within CEC.

The results of this Phare assistance are presented in Annex 1 “Implementation of restructuring “ as per Final Report of the Consultant.

The Savings Bank Foundation for International Co-operation (“the Foundation”)
Starting from 1997 CEC has received support from the German Sparkassenstiftung für Internationale Kooperation (Savings Bank Foundation for International Co-operation).

Outputs in area as:
- Strategy and business planning: training courses, proposals for network re-orientation, set up the CEC Strategy 2000, draft strategy 2002-2005;
- Marketing: Marketing courses, marketing studies;
- Human resource development and training: seminars for CEC staff
- Information technology: auditing the viability of IT solution
- SME lending: lending seminars and improvement of internal rules for lending

The World Bank

The World Bank also assisted CEC in drafting the Terms of Reference for the audit of the 1997 accounts undertaken by PriceWaterhouseCoopers; and by giving seminars on corporate lending and risk management in 1998.

Discussions held with World Bank concerning the conditionalities under PSAL II focused on the priority for ongoing CEC restructuring process.

Other linked activities:

Bank of Reconstruction and Development (Kreditanstalt für Wiederaufbau or “KfW”) in Germany

In December 1998 Germany and Romania signed an agreement under which KfW agreed to provide Romania with funds for granding loans to SME’s and funds for technical assistance to support the provision of loans to SMEs via local banks. Of this credit line CEC utilised DEM 3 million. An important element of the facility is the provision of detailed technical assistance from Internationale Project Consult GmbH.

Phare SME lending support

Within the Phare Project RO 97 11 - Small SME Credit Line - were allocated funds to support lending to the Romanian SME sector. EUR 1.5 million has been allocated for the use of CEC as Pilot Projects. Under this SME scheme, CEC co-ordinates lending activities in broadly the same way as for the KfW loans.

3.3 Results:

The main results should be:

Business Focus Component (1)
- Area: Commercial Management:
  - updated range of savings products;
  - ATM network, credit and debit cards;
  - updated range of credit products and a larger loan portfolio (especially housing loans and SME finance);
  - new activities introduced;
- Area: Management, organisation and restructuring of branch network
  - regional centers established;
  - simplified reporting system for CEC’s network.
- Area: Strategy:
  - A long-term strategy for a period of 10 years - A five years Action Plan for implementation of the strategy;
  - Methodology improved concerning general strategy and planning.
Accounting Component (2)
- Area: Accounting, budget planning and MIS
  - IAS accounting and MIS implemented;
Treasury Component (3)
- Area: Treasury ALM and Risk Management
  - new treasury product introduced and implemented;
  - new organised treasury division;
  - enhanced Risk Management function and procedures.
IT Component (4)
- Area: IT system
  - improved working procedures of IT department (workflow management, business analysis, handling of customer change requests etc);
  - upgraded hardware and data connections between branches and head office
  - Roll out of Q-bank;
  - centralised customer database at head office;
  - enhanced and developed IT system for other banking tasks, according to CEC needs.
HRM Component (5)
- Area: HRM/Training
  - new set of assessment criteria to evaluate the personnel (job evaluation into new system, incentive management) in place;
  - trained middle management in new appraisal/incentive methodology;
  - trained staff and middle management concerning banking knowledge;

3.4. Activities:
- Analyse of the current situation,
- Draft the Action Plan and
- Implement the Action Plan.
Business Focus Component (1)
- Area: Commercial Management:
  - elaborate plans and proposals for introducing new products and services, new activities
  - update the range of products;
- Area: Management of restructuring and organisation of branch network:
  - Assess the possibility to establish regional centres in order to simplify the reporting system;
  - Re-organise the branches’ reporting system to Head Office.
- Area: Strategy:
  - Draft proposal for the improvement of the Strategic Plan of the bank;
  - Draft a long term Strategic plan for the bank;
- Re-design budgeting and financial planning process started within previous assistance.

**Accounting Component (2)**
- **Area:** Accounting, budget planning and MIS
  - Assist in the elaboration of financial statements according with IAS procedures.

**Treasury Component (3)**
- **Area:** Treasury, ALM and Risk Management
  - Analyse the possibility to introduce new activities;
  - Bring in a developed treasury, ALCO and ALM function;

**IT Component (4)**
- **Area:** IT
  - Enhance the IT system throughout the entire network;

**HR Component (5)**
- **Area:** HR/Training:
  - Continue to re-structure the Head Office organisation of the bank.
  - Operational re-structuring by reducing back office staff and transferring in front office;
  - Assist in implementation of a new appraisal system;
  - Develop a banking course for staff and middle management of the bank;

For every area, the new consultant should work closely together with involved Departments, Management and Staff of CEC.

### 3.5 Lessons learned:
Inside the bank a better organisation in order to achieve the aims of the Project and the full commitment of CEC staff.

### 4. Institutional Framework
Starting from 1996, CEC has a new Law 66, regarding reorganisation of CEC activities as a joint-stock commercial bank. The sole shareholder of CEC is the State, represented by the Ministry of Finance. CEC’s principal activities are to attract, maintain and invest household savings for the Romanian population; CEC operates through its head office located in Bucharest and 1642 branches (as at 31.12.2001) and offices located in cities, towns and rural locations throughout Romania.

At December 31, 2000 CEC was keeping about 24 % from the domestic savings market in ROL.

The bank owns share capital of the following Romanian financial companies: S.N.C.D.D. (National Company for compensation, settlements and depository for Capital Market), F.R.G.C. (Romanian Fund for guarantees of the credits), ASIBAN (Assurance company), CEC - Securities, TRANSFOND (National Company for Clearing and Funds Settlement) and it is SWIFT member.

There are some constraints inside and outside the bank as:
- inadequate banking knowledge of staff and middle management in view of the new mission of the bank,
- lack of an IT environment throughout the entire network. These constraints will be diminished with the support of the requested assistance.

Outside the bank there is a reluctance of third parties connected with the bank (NBR, staff, trade unions) concerning the change, of the shareholder and NBR to agree, in principle, with the proposed changes in law, statute and corporate governance.

5. Detailed Budget

<table>
<thead>
<tr>
<th>Phare</th>
<th>Support</th>
<th>Total Phare (=I+IB)</th>
<th>National Cofinancing *</th>
<th>IFI*</th>
<th>TOTAL</th>
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<tr>
<td></td>
<td>Investment Support</td>
<td>Institution Building</td>
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<tr>
<td>Contract 1</td>
<td>Technical assistance for TOR</td>
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<td>0.2 mil</td>
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<tr>
<td>Contract 2</td>
<td>Pursuing in implementation of CEC’s restructuring</td>
<td>Comp.1: 0.46</td>
<td>Comp.2: 0.46</td>
<td>Comp.3: 0.46</td>
<td>Comp.4: 0.46</td>
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<tr>
<td>TOTAL amount</td>
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<td>2.5</td>
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</tbody>
</table>

* In cases of co-financing only
Note: expenditure for equipment should be put under Investment

6. Implementation Arrangements

6.1. Implementing Agency
Central Finance and Contracting Unit – CFCU will be the Implementing Agency and will, thus, manage and contract the funds received in respect of the programme in accordance with the Phare « Practical Guide to PHARE, ISPA and SAPARD. The implementing Authority will be the CEC under the supervision of the Ministry of Finance.

6.2. Twinning: N/A
6.3. Non-standard aspects: N/A
6.4. Contracts: Within the Project will be concluded two contracts:
• 1 contract for technical assistance for TOR: EURO 0.2 mil
• 1 contract for “Pursuing in implementation CEC’s restructuring: EURO 2.3 mil

7. Implementation Schedule

<table>
<thead>
<tr>
<th>Start of tendering</th>
<th>Start of project activities</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2002</td>
<td>Second semester of 2003</td>
<td>2005</td>
</tr>
</tbody>
</table>

8. Equal Opportunity
In the whole process of preparation and implementation of the project no discrimination between men and women will be made.

9. Environment: N/A

10. Rates of return: N/A

11. Investment criteria: N/A

12. Conditionality and sequencing

   Full commitment of the parties involved for restructuring.
• **ANNEXES TO PROJECT FICHE**

1. Implementation of restructuring
2. Logical framework matrix in standard format
3. Detailed implementation chart
4. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
5. Reference to feasibility study.
### LOGFRAME PLANNING MATRIX FOR

**Project:** Implementation of CEC Savings Bank Restructuring

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>Contracting period expires</th>
<th>Disbursement period expires</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

**Total budget:** MEuro 2.5  
**Phare budget:** Meuro 2.5

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
</table>
| • Strengthening the development of the Romanian financial sector, the restructuring and consolidating the Romanian banking system  
• There is ample scope in Romania to substantially improve the distribution of existing and new financial products and services. | • Improvement of ranking within the Romanian banking sector | • NBR statistics  
• CEC’s Annual Reports |

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| • To provide assistance to CEC in implementing the restructuring plan within the bank as the previous consultancy proposed in continuing the implementation of the Plan containing components such as: 1. business focus; 2. accounting; 3. treasury; 4. HRM/organisation; | • Indicators provided in the Strategic Plan 2002-2005 | • Strategic Plan 2002-2005  
• Financial statements of the bank | • Full commitment of CEC’s management and shareholders (Ministry of Finance) for restructuring.  
• Full commitment of the CEC’s staff to implement the restructuring and institutional development plan |
5. IT.

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| The main results should be:  
**Business Focus Component (1)**  
• Area: Commercial Management: 
  - updated range of savings products;  
  - ATM network, credit and debit cards;  
  - updated range of credit products and a larger loan portfolio (especially housing loans and SME finance);  
  - new activities introduced;  
• Area: Management, organisation and restructuring of branch network  
  - regional centers established;  
  - simplified reporting system for CEC’s network.  
• Area: Strategy:  
  - A long-term strategy for a period of 10 years - A five years Action Plan for implementation of the strategy;  
  - Methodology improved concerning general strategy and planning.  
**Accounting Component (2)**  
• Area: Accounting, budget planning and MIS  
  - IAS accounting and MIS implemented;  
**Treasury Component (3)**  
• Area: Treasury ALM and Risk Management  
  - new treasury product introduced and | **Business Focus component**  
• A new appraisal system in place  
• New services and products introduced  
• The total volume of credits granted to customers increased at around ROL 14 bil. in 2005  
• More efficient reporting system for CEC’s network in place  
• Strategic Plan drafted | **Financial statements of the bank**  
**CEC’s Annual Report**  
**Strategic Plan 2002-2005**  
**Strategic Plan for 10 years period**  
**Progress and Final Reports of the Consultant**  
**Monitoring and Evaluation Reports** | **Top management support for restructuring**  
**Change management accepted**  
**Support from other relevant institutions**  
**Sufficient skills and know-how transferred from external consultant to CEC staff** |
| | | | |
implemented;
- new organised treasury division;
- enhanced Risk Management function and procedures.

**IT Component (4)**
- Area: IT system
  - improved working procedures of IT department (workflow management, business analysis, handling of customer change requests etc);
  - upgraded hardware and data connections between branches and head office
  - Roll out of Q-bank;
  - centralised customer database at head office;
  - enhanced and developed IT system for other banking tasks, according to CEC needs.

**HRM Component (5)**
- Area: HRM/Training
  - new set of assessment criteria to evaluate the personnel (job evaluation into new system, incentive management) in place;
  - trained middle management in new appraisal/incentive methodology;
  - trained staff and middle management concerning banking knowledge;

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analyse of the current situation, Draft the Action Plan and Implement the Action Plan.</td>
<td>Technical assistance contract Transfer of know-how</td>
<td>Both organisations (CEC and the Consultant) recruit and retain adequate staff Effective co-operation between the beneficiary</td>
</tr>
</tbody>
</table>
- elaborate plans and proposals for introducing new products and services, new activities
- update the range of products;
  • Area: Management of restructuring and organisation of branch network:
    - Assess the possibility to establish regional centres in order to simplify the reporting system;
    - Re-organise the branches’ reporting system to Head Office.
  • Area: Strategy:
    - Draft proposal for the improvement of the Strategic Plan of the bank;
    - Draft a long term Strategic plan for the bank;
    - Re-design budgeting and financial planning process started within previous assistance.

Accounting Component (2)
• Area: Accounting, budget planning and MIS
  – Assist in the elaboration of financial statements according with IAS procedures.

Treasury Component (3)
• Area: Treasury, ALM and Risk Management
  - Analyse the possibility to introduce new activities;
  - Bring in a developed treasury, ALCO and ALM function;

IT Component (4)
• Area: IT
  - Enhance the IT system throughout the entire
network;
HR Component (5)
• Area: HR/Training:
  - Continue to re-structure the Head Office organisation of the bank. Operational re-structuring by reducing back office staff and transferring in front office;
  - Assist in implementation of a new appraisal system;
  - Develop a banking course for staff and middle management of the bank;

<table>
<thead>
<tr>
<th>Preconditions</th>
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</table>
| • Continued Government commitment to restructure the economy and financial institutions in line with EU standards and the AP and NPAA
• Full commitment of all parties involved in CEC restructuring |
## ANNEX 2: DETAILED TIME IMPLEMENTATION CHART FOR PROJECT NUMBER RO-2002/000-586.01.02

### Implementation of CEC Savings Bank Restructuring

<table>
<thead>
<tr>
<th>Activities</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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<tbody>
<tr>
<td><strong>Calendar months</strong></td>
<td>S</td>
<td>C</td>
<td>N</td>
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<td>Activity 1</td>
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<td>TA for drafting TOR</td>
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<td>Contract 2</td>
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<tr>
<td>TA for pursuing the implementation of CEC</td>
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<td>restructuring</td>
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<td>C = Contracting</td>
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<td>I = Implementation</td>
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**ANNEX 3: CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (MEURO 2.5)**

Implementation of CEC Savings Bank Restructuring

**DATE:**

<table>
<thead>
<tr>
<th></th>
<th>31/03/03</th>
<th>30/06/03</th>
<th>30/09/03</th>
<th>31/12/03</th>
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<th>30/09/05</th>
<th>31/12/05</th>
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<tr>
<td>0.2 for TOR</td>
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<td>2.5</td>
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<td><strong>DISBURSEMENT</strong></td>
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**NB:**

1. All contracting should normally be completed within 6-12 months and **must** be completed within 24 months of signature of the Financing Memorandum.

2. All disbursements **must** be completed within 36 months of signature of the FM.
IMPLEMENTATION OF RESTRUCTURING:

BUSINESS FOCUS COMPONENT:

1 Deposit/savings product review and reduction to 5/6:
A methodology has been agreed and submitted to RCC.

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: Awaiting IT and implementation of QBank Front Office which takes priority.

2. Introduction of ROL fixed rate and term savings accounts:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

3. Procedures to close dormant accounts:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: Awaiting IT and implementation of QBank Front Office that takes priority.

4. Development of a strategic plan for the bank:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

5. New asset product: annuity based home term loan mortgage:

Task completed: 100%
Task implemented: 50%
Reason for lack of implementation: Bank is establishing a marketing programme

6. New asset product: vehicle fleet finance for government:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: A number of significant hurdles stand in the way of this proposal, in particular the legal issue as to whether CEC is allowed
to lend to government entities. 2002 at the earliest.

7. Enhancement and completion of credit scoring:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

8. Review new CEC corporate and individual credit manuals:

The standard of the manuals is good.

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

8a The management of problem loans:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: Presentation and proposals recently made to Risk Management Department.

8b The review of the credit approval process:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation: Presentation made and comments provided.

8c The approval of domestic inter-bank limits:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation: The existing methodology was reviewed.

9. Review new CEC procedures for lending to government:

The standard of the procedures was good.

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

We have added an addition task. When the bank is able to borrow foreign currency, it will have to place those funds with foreign banks. The bank will need limits for those banks. We have provided them with a methodology for establishing those limits.
9a. Deposit limits for international banks:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: Approval to borrow foreign currency not yet obtained.

10. Investigate methodology for starting micro-lending in the bank:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: Reviewed and some proposals made.

11. Feasibility study for commencing leasing at CEC:

Proposals for the development of leasing have been made to and accepted by the RCC.

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: Many sub-tasks have to be completed before the bank can start leasing capital equipment to customers. 2002 at earliest. Methodology presented.

We have added a sub-project: proposals for funding franchisees. This is a major growth business that is applicable in developing economies and worth investigating.

11a Proposals for funding franchisees:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: Some suggestions made but probably not viable at the present time.

12. Market research:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation:

13. Measurement mechanisms for effectiveness of advertising:

Proposals and methodology provided.
14. Implementation of pro-active and forward looking public relations:

Recommendations made

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation:

ACCOUNTING, RISK MANAGEMENT, INTERNAL AUDIT COMPONENT:

15. Establishment of Risk Management Department:

The bank has an enhanced Risk Management and Control Department.

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

16. Transfer cash management from Accounting Department:

Task completed. Recommendations made and awaiting establishment of an Operations/Back Office department.

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: Awaiting establishment of new Back Office Department.

17. Develop in-house capacity to produce IAS financial statements:

Task completed: 100%
Task implemented: 50%
Reason for lack of implementation: Additional CEC staff resources required. Instructions have been given by the management of the bank.

17a Assistance with accounting for fixed assets:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:
17b Seminar on IAS 29 Hyper-inflation accounting:

Task completed: 100%
Task implemented: Not required
Reason for lack of implementation:

17c Seminar on preparing cash flow statements:

Task completed: 100%
Task implemented: Not required
Reason for lack of implementation:

18. Re-design monthly management reporting package:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: Being discussed within the bank.

19. Re-design budgeting and financial planning process:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:


Task completed: 50% (not completed)
Task implemented: 50%
Reason for lack of implementation: Additional CEC resources required.
Instructions have been given.

21. Calculation of profit contribution of products and branches:

Methodologies have been provided. The methodology for calculating branch profits has been implemented and the methodology for products is being worked on by CEC.

Task completed: 100%
Task implemented: 75%
Reason for lack of implementation: Being implemented

22. Establishment of an Audit Committee:

Methodologies provided and accepted. It remains for members of the Audit Committee to be appointed.

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: Appointments to be made to the Audit Committee

23. Establishment of Internal Audit Department:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

23c Methodology for conducting an IT audit:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

TREASURY AND ALM COMPONENT:

24. Introduction of US dollar accounts:

Task completed: 90%
Task implemented: 70%
Reason for lack of implementation: In progress and currency operations are being tested in a branch.

We have introduced a sub-project which is IT related “introduction of a test environment into QBank back office” on order to test whether the hard currency software works. This has been completed.

24a Introduction of a test environment into QBank Back Office:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

25. Improve asset and liability product pricing methodology:

Task completed: 100%
Task implemented: 25%
Reason for lack of implementation: A major change required in the bank’s procedures.

26. Market based transfer pricing, liquidity forecasts and interest sensitivity:

Completed but on-going. The bank has received and to a degree implemented the transfer pricing recommendations. Liquidity forecasting and interest sensitivity recommendations are being delivered.
Task completed: 100%
Task implemented: 30%
Reason for lack of implementation:

26a Calculation of profitability:

Task completed: 100%
Task implemented: 10%
Reason for lack of implementation: ongoing

27. Operational controls, reconciliation between front and back office and accounting:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: a back office has to be set up

HRM/ORGANISATIONAL COMPONENT:

28. Management development and training programme:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation:

29. Establishment: Product Development and Management Department:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: In course of analysing

29a Course on the calculation of profitability:

Task completed: 100%
Task implemented: Not required
Reason for lack of implementation:

30. Establishment of central Distribution Network Division:

The Distribution Network Division has been established and we are continuing to provide consultancy to assist in its implementation.

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

31. Re-structuring of HR Department:
Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: In progress and to be submitted to the Management Committee.

32. Simplify salary system, including transparent performance incentives:

Task completed 100%
Task implemented 0%
Reasons for lack of implementation These major proposals have recently approved but will take time.

Proposals made, accepted by the bank:
32a: Development of the banks appraisal system
32b: Development of the job evaluation procedures/benchmarking.
32c: Review of job grading within the bank.

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: In progress and being submitted to the Management Committee

33. Guidelines for the overall re-structuring of Head Office:

Task completed: 100%
Task implemented: 20%
Reason for lack of implementation: Implementation will take time

34. Guidelines for the re-structuring of the branch/agency network:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

34a Establishment of Regional Offices:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: will be analysed

35. Introduction of Corporate Governance into the bank structure:

Proposals have been presented. They have not been discussed with the bank.

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: These proposals will require significant change in the law and business practice.
36. Bank Simulation Training Course:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: it doesn’t need for implementation

37. Re-organisation of reporting to Head Office by branches:

Task completed:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: ongoing

IT COMPONENT:

38. Introduction of paperless intra-bank CEC transfers:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation: Awaiting IT.

39. Establishment of Business Analysis Unit:

Task completed with presentation of methodology:

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation:

40. Business Analysis process for each deliverable:

Task completed in respect of Task 24

Task completed: 100%
Task implemented: 0%
Reason for lack of implementation:

41. Job description, practical training for IT Quality Control Officer:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

42. Job description, practical training for IT Security Officer:

Task completed: 100%
Task implemented: 100%
Reason for lack of implementation:

42a Re-organisation and re-structuring of the IT organisation within CEC:

- Task completed: 100%
- Task implemented: 0%
- Reason for lack of implementation: under discussion.

FIXED ASSETS AND LEGAL COMPONENT:

43. Establishment of centralised fixed asset register:

- Task completed: 100%
- Task implemented: 100%
- Reason for lack of implementation:

44. Methodology for assessing fixed asset proposals:

Methodology delivered:

- Task completed: 100%
- Task implemented: 0%
- Reason for lack of implementation:

45. Development of legal options:

The bank still to be considering an amended CEC law.

- Task completed: 100%
- Task implemented:
- Reason for lack of implementation: under discussion
The Feasibility Study set up within Module I of PHARE Project RO 98.05.02.02 reviewed potential objectives in privatising CEC, structural issues and preconditions relating to a possible privatisation before considering potential privatisation structures. Finally, a typical privatisation process was outlined which gave an indication of how a process might eventually be carried out. The Consultant conclusion was that a privatisation timescale of two to three years is optimistic. So, a significant amount of restructuring is required at CEC, combined with a general improvement in economic conditions before sufficient interest from investors will be generated resulting in a successful privatisation. As a result, the Consultant stated that a time frame of three to five years might be more realistic.